

MELALEUCA STATEMENT OF POLICIES



Statement of Policies

Capitalized terms used in the Statement of Policies have the meanings set forth in the Definition of Terms.

1. Becoming a Customer

To become a Customer, a person must: (a) have an Enroller who has submitted an Independent Marketing Executive Agreement; (b) sign and submit a Customer Membership Agreement; and (c) pay a membership fee for the cost of enrollment, product information, and other literature that Customers receive throughout the year. Preferred Customers receive a number of additional benefits and may purchase products directly from Melaleuca at 30% to 50% below the regular price. In return for this added discount, Preferred Customers agree to purchase Melaleuca products totaling at least 35 Product Points each month. Customers are not authorized to market or resell Melaleuca products.

2. Becoming a Marketing Executive

To apply to become a Marketing Executive, a person must first (a) have an Enroller who has submitted an Independent Marketing Executive Agreement; (b) sign and submit an Independent Marketing Executive Agreement; and (c) purchase a Business Kit. Once those steps are completed, the applicant is authorized to introduce Melaleuca products and business opportunity and to enroll Customers and prospective Marketing Executives. However, an applicant does not become a Marketing Executive, until: (i) Melaleuca receives and accepts the applicant's Independent Marketing Executive Agreement; (ii) the applicant has a Customer or Marketing Executive in his/her Marketing Organization; and (iii) the applicant receives his/her first commission check. Marketing Executives may purchase products directly from Melaleuca at the regular price. Marketing Executives may also choose to be Preferred Customers, in which case they may purchase products directly from Melaleuca at the Preferred Customer price.

3. Individuals, Corporations, Tax Exempt Entities and Trusts

Melaleuca will only consider for acceptance as Marketing Executives

individuals or entities that fall into one of the following categories:

- (a) Individuals who are of the legal age.
- (b) Married couples of which at least one is of legal age.
- (c) Corporations in good standing in the state, province, or country of their incorporation which have as their sole shareholder(s), director(s) and officer(s) either one unmarried individual or a married couple, which are established in accordance with Melaleuca guidelines.
- (d) Tax exempt entities which are registered and approved as tax exempt institutions under Section 501(c)(3) of the United States Internal Revenue Code or under Section 248(1) of the Income Tax Act of Canada, which are established in accordance with Melaleuca guidelines.
- (e) Trusts established in accordance with Melaleuca guidelines.
- (f) Charitable giving corporations established in accordance with Melaleuca guidelines.

4. Customer Numbers

Customers and Marketing Executives may not use or submit to Melaleuca any Social Security Number, Social Insurance Number, Tax Revenue Number, Taxpayer Identification Number or Corporate Account Number other than the actual number assigned to the Customer or Marketing Executive by the proper governmental authority.

5. Proper Completion of Documents

All agreements must be completely and properly filled out and signed. No alterations will be accepted. Melaleuca may require original signed versions of all agreements or request the re-execution of agreements upon reasonable notice.

Agreements will only be accepted by Melaleuca in their original unaltered form, regardless of passage of time or payment of commissions by Melaleuca. Melaleuca will not be responsible for loss of commissions or bonuses or for delays in Customer or Marketing Executive registrations or orders due to: (a) errors by Customers or Marketing Executives in preparing or sending agreements, orders or other documents; (b) delays or errors caused by the mail, fax or electronic transmission; (c) nonreceipt of documents by Melaleuca; (d) illegible or incomplete information on agreements, orders or other documents; or (e) the inability of Customers or Marketing Executives to reach Melaleuca by

telephone or fax during busy calling periods. Melaleuca will process and credit orders and enrollments in the calendar month in which they are received by Melaleuca.

6. Ordering

All orders are credited to the calendar month in which they are received by Melaleuca. Orders may be placed by telephone, mail, fax or the Internet and in person at Melaleuca stores where available. All telephone, fax or Internet orders must be paid by Visa, MasterCard, or electronic checking. Orders by mail may be paid by check, money order, Visa, MasterCard, or electronic checking. Customers and Marketing Executives will be charged \$10US for checks returned for insufficient funds. Orders for products will usually be processed by Melaleuca within 48 hours of receipt. Shipment will be by common carrier and delivery should be expected within 3 to 10 days. Orders placed during the last week of the month may be delayed due to the large volume of orders received at the end of the month.

7. Customer Satisfaction Guarantee

If for any reason any Customer is not completely satisfied with any product purchased by such Customer from Melaleuca, the Customer may return the unused portion of the product together with a copy of the purchase receipt to Melaleuca within 60 days of the date of purchase and Melaleuca will (1) credit the Customer's account for the total purchase price of the product (less shipping and handling charges), or (2) upon the Customer's written request, replace the product without charge, or (3) upon the Customer's written request, refund the total purchase price of the product (less shipping and handling charges). Refunds, when requested, will be issued to the original method of payment used to purchase the product unless that method of payment is unavailable in which case a refund check will be issued to the Customer. Unless the Customer requests otherwise, Melaleuca will credit the Customer's Melaleuca account for the purchase price of the returned product. Credit on account is available for Melaleuca product purchases. If a Customer has unredeemed credit on account, Melaleuca may make efforts to locate the Customer and advise him/her in writing of the credit. Melaleuca may continue to make such attempts on a monthly basis and will charge the Customer's account a \$10US service fee for each month's notification process for as long as the Customer has a credit on account, unless otherwise restricted or prohibited

by law. Refund checks that remain uncashed for more than 180 days will not be honored and the amount of the check, less a processing fee of \$15US and a bank cancellation/stop payment fee of \$10US, will be credited to the Customer's account, which credit on account shall be subject to the above notification process and associated service fees and applicable law. Melaleuca reserves the right to cancel the Customer Agreement of any Customer who abuses the Melaleuca satisfaction guarantee by excessively returning product.

8. Returns and Product Point Adjustments; Home Conversion/Value Pack Returns

Individual products that are purchased as part of a Home Conversion, Value, or other "special" pack that is priced below the Preferred Customer price, can be returned for an exchange but not for a refund unless the entire pack is returned. Home Conversion and Value Pack commissions will be deducted from the Marketing Executive's check in the month the Home Conversion or Value Pack is returned by the Customer. Marketing Executives receive commissions based on actual sales by Melaleuca of product to End Consumers. When product is returned to Melaleuca, the commissions attributable to that product will be deducted from the commission checks of the Customer's Support Team in the month that the return occurs. If the return occurs within 6 months of the purchase date, then commissions will be deducted from the commission checks of the Support Team of the Marketing Organization that existed at the time of the purchase. Otherwise, commissions will be deducted from the commission checks of the Support Team of the current Marketing Organization. Melaleuca reserves the right to terminate the Independent Marketing Executive Agreement or cancel the Customer Membership Agreement of any Marketing Executive or Customer who abuses the Melaleuca Satisfaction Guarantee and return policy by excessively returning products.

9. Business Kit Refund

When a Marketing Executive applicant enrolls and purchases a Business Kit, the Business Kit number will be registered at Melaleuca in the applicant's name. If a Marketing Executive applicant cancels his/her Independent Marketing Executive Agreement and returns his/her purchased Business Kit to Melaleuca within 120 days after the Marketing Executive applicant's date of enrollment, Melaleuca will give such Marketing Executive applicant a full refund for the cost of the Business Kit. A refund will

only be sent to the Marketing Executive applicant in whose name the Business Kit number is registered. This policy will apply whether the Marketing Executive applicant purchases the Business Kit directly from Melaleuca or from his/her Enroller. A Marketing Executive who purchases Business Kits for other Marketing Executive applicants may return kits to Melaleuca for a refund only if the Marketing Executive cancels his/her Independent Marketing Executive Agreement and returns the Business Kits within 120 days after their date of purchase. Marketing Executives who purchase Business Kits for other Marketing Executives may provide such kits for up to one year from their date of purchase from Melaleuca. Melaleuca encourages Marketing Executives to keep such Business Kits updated until they are sold. A Business Kit may only be assigned to a Marketing Executive once. Melaleuca updates and revises Business Kits from time to time.

Marketing Executives are encouraged to keep their Business Kits current by purchasing update packets or new Business Kits as they become available. Outdated or old Business Kits may not be exchanged for current Business Kits.

10. Marketing Executives Are Not Corporate Representatives

Marketing Executives are not corporate representatives of Melaleuca and are not authorized to incur any debt, expense or obligation on behalf of or for Melaleuca, nor bind Melaleuca to any agreement or contract.

11. Cancellation Refund Policy

Melaleuca will repurchase from Marketing Executives who have canceled their Independent Marketing Executive Agreements all unencumbered products which are in resalable condition which were purchased by the Marketing Executive from Melaleuca within the previous 12 months, at a price of not less than ninety percent (90%) of the original net cost to the Marketing Executive. All products or materials must be returned to Melaleuca with shipping prepaid by the Marketing Executive in order to receive the above refund. Melaleuca may charge back all commissions, bonuses and rebates paid by Melaleuca relating to the purchases of those products.

12. Resale of Products

Melaleuca products are sold only by Melaleuca directly to End Consumers. In order to ensure the safety, freshness, efficacy and quality of Melaleuca products, Marketing Executives and Customers are strictly prohibited from directly or indirectly offering Melaleuca products for resale to anyone at any time.

This obligation continues even after a Customer Membership Agreement or Independent Marketing Executive Agreement is no longer in force for any reason. Melaleuca shall have the right to prevent and/or recover damages for any violations of this obligation by legal action and, to the extent permitted by law, a Marketing Executive or Customer will be obligated to pay Melaleuca's legal fees and costs in connection with any such legal action based upon his/her violation of this obligation.

13. Errors or Questions

Marketing Executives should notify Melaleuca immediately of any errors or questions about commissions, bonuses, Monthly Business Reports, orders or charges. Melaleuca will correct any errors reported to it within 60 days, but Melaleuca will not be responsible for any errors, omissions or problems not reported within 60 days.

14. Joint Ownership of a Business

An Independent Melaleuca Business may only be owned by an individual, a married couple, or by corporations, tax exempt entities or trusts that comply with Melaleuca guidelines. If a married couple who jointly own an Independent Melaleuca Business divorce, they may apply to have the Independent Melaleuca Business transferred to one of them as the sole owner. The divorced couple must submit to Melaleuca a written request specifying to which person the Independent Melaleuca Business will be transferred. The request must either contain the notarized signature of both parties or contain the notarized signature of at least one party and include a certified copy of the court-approved divorce decree or property settlement that designates to which party the Independent Melaleuca Business should be transferred. Melaleuca shall not be obligated to transfer any Independent Melaleuca Business to any person who Melaleuca deems in its sole discretion is not qualified to operate and own such business. If the transfer is approved, the person to whom the Independent Melaleuca Business is being transferred must sign and submit to Melaleuca a new Independent Marketing Executive Agreement.

15. One Business per Person or Couple

A Marketing Executive may not own, operate or have a financial interest in more than one Independent Melaleuca Business without Melaleuca's express written approval. With regard to Marketing Executives who are married couples and non-married cohabiting

couples, or who jointly own an approved business as a corporate entity or trust pursuant to Policy 3, both persons will be treated as a single Marketing Executive for purposes of Melaleuca's policies. Therefore, for example, if one person owns an Independent Melaleuca Business, the other person may not own, operate or have a financial interest in a separate Independent Melaleuca Business. Additionally, if the couple jointly owns an Independent Melaleuca Business, neither person may own, operate or have a financial interest in a separate Independent Melaleuca Business. However, if two people who own separate Independent Melaleuca Businesses marry, they may each retain ownership of their businesses. Unless approved in writing in advance by Melaleuca, only one Independent Melaleuca Business is permitted in any Immediate Household.

16. Conduct of Household Members

If any member of the Marketing Executive's Immediate Household engages in any activity which, if performed by the Marketing Executive, would violate any Melaleuca policy or any provision of the Independent Marketing Executive Agreement, such activity will be deemed a violation by the Marketing Executive.

17. Inheritance of Business

Upon the death of a person who is a Marketing Executive, or the death of any owner, manager, trustee or any other person with an interest in an Independent Melaleuca Business pursuant to Policy 3, an Independent Marketing Executive Agreement will automatically be cancelled, unless the Independent Melaleuca Business is inherited in accordance with this Policy 17. An Independent Melaleuca Business may only be inherited by a single person, a married couple or a trust or corporation which complies with Melaleuca's guidelines, pursuant to a valid will or other appropriate document, or in accordance with the intestacy laws of the state, province, or country in which the Marketing Executive resides. A person who inherits an Independent Melaleuca Business must furnish Melaleuca with proper documentation that he/she is the beneficiary and is authorized to represent the estate. He/she must also execute an Independent Marketing Executive Agreement, fulfill all of the functions of a Marketing Executive and abide by the terms of Melaleuca's Statement of Policies. If the new Marketing Executive wishes to become a Preferred Customer, the new Marketing Executive must also execute a new Customer Membership Agreement.

18. Sale or Transfer of Business

A Marketing Executive cannot sell or transfer his/her Independent Melaleuca Business (except for transfers by inheritance pursuant to Policy 17).

19. Transfer from Original Organization

Marketing Executives and Customers may transfer from one Melaleuca organization to another only upon fulfillment of all of the following requirements:

- (a) The Marketing Executive or Customer seeking the organization change has submitted an Organization Change form with the original signatures of the Enroller and the other Support Team Marketing Executives in the immediate seven generations above the Marketing Executive or Customer who have earned at least three Leadership Points over the previous six months;
- (b) The Marketing Executive or Customer seeking the organization change is remaining in his/her Enroller's Marketing Organization;
- (c) A Marketing Executive seeking the organization change has no more than 10 Customers in his/her existing Marketing Organization and will have no more than 10 Customers in the Marketing Organization into which he/she is seeking to be moved;
- (d) The Marketing Executive or Customer seeking the organization change has paid to Melaleuca the applicable fee charged by Melaleuca for organization changes; and
- (e) Melaleuca has approved the change in writing, which approval Melaleuca may withhold in its sole discretion.

20. Non-Solicitation and Conflicts of Interest

Marketing Executives are independent contractors and may be active in other business ventures while they are Marketing Executives for Melaleuca. However, to qualify for compensation under Melaleuca's Compensation Plan, Marketing Executives have the ongoing responsibility to service, supervise, motivate, train and assist the Marketing Executives in building their Marketing Organizations. They also have the responsibility to promote Melaleuca products and the Melaleuca income opportunity and to consistently encourage and influence other Marketing Executives to invest their time in building their Marketing Organizations. Melaleuca's compensation to any

Marketing Executive is based on the understanding and expectation that the Marketing Executive is consistently involved in this crucial ongoing endeavor. Melaleuca and its Marketing Executives have made a significant investment in the establishment of organizations consisting of Customers and Marketing Executives. Those organizations constitute one of Melaleuca's most valuable assets. Melaleuca reserves the right to cease paying compensation to any Marketing Executive who recruits any Melaleuca Preferred Customer or Marketing Executive to participate in a Competing Business Venture. In order to protect the efforts of all Marketing Executives in building and maintaining their individual Marketing Organizations and Customer bases, and in order to protect Melaleuca's interest in the overall Customer base, a Marketing Executive and his/her spouse are required to abide by the following policies:

- (a) Non-Solicitation of Melaleuca Customers and Marketing Executives:
 - (i) During the period that his/her Independent Marketing Executive Agreements are in force, a Marketing Executive and his/her spouse are prohibited from directly, indirectly or through a third party recruiting any Melaleuca Preferred Customers or Marketing Executives to participate in any Competing Business Venture.
 - (ii) For a period of twelve months after cancellation or termination for any reason of a Marketing Executive's Independent Marketing Executive Agreement, the Marketing Executive and his/her spouse are prohibited from directly, indirectly or through a third party recruiting to participate in any other Competing Business Venture any Melaleuca Customers or Marketing Executives:
 - (1) who were in the Marketing Executive's Marketing Organization or Support Team at any time during the term of his or her association with Melaleuca; or
 - (2) with whom the Marketing Executive had contact in conjunction with the operation of his/her Melaleuca business; or
 - (3) whose contact information (name, address, phone number or email address, etc.) the Marketing Executive or his/

her spouse has obtained at any time during the term of his or her association with Melaleuca; or

- (4) whose contact information (name, address, phone number or email address, etc.) the Marketing Executive or his/her spouse obtained at any time from another person who obtained the information because of any other person's association with Melaleuca.

The prohibitions under clauses (a) (i) and (ii) above include but are not limited to, presenting or assisting in the presentation of any Competing Business Venture to any Melaleuca Customer or Marketing Executive or implicitly or explicitly encouraging any Melaleuca Customer or Marketing Executive to join any Competing Business Venture. It is a violation of this policy to recruit a Melaleuca Customer or Marketing Executive to participate in a Competing Business Venture even if the Marketing Executive is not aware that the prospect is also a Melaleuca Customer or Marketing Executive. It is the Marketing Executive's responsibility to first determine whether the prospect is a Melaleuca Customer or Marketing Executive before recruiting the prospect to participate in any Competing Business Venture.

(Please refer specifically to the definition of "recruit" in the Definition of Terms.)

- (b) During the period that their Independent Marketing Executive Agreements are in force, and for a period of twelve months after the cancellation or termination thereof for any reason, a Marketing Executive and his/her spouse are further prohibited from the following:
- (i) Producing any literature, audio or video recording or promotional material of any nature (including but not limited to websites and emails) which is used by the Marketing Executive or any third person to recruit Melaleuca Customers or Marketing Executives to participate in any Competing Business Venture;
 - (ii) Selling, offering to sell, or promoting any competing products or services to Melaleuca Customers;
 - (iii) Offering any non-Melaleuca product, service or Competing Business Venture in conjunction with the presentation of any Melaleuca product, service or income opportunity or at any

Melaleuca meeting, seminar, launch, convention, or other Melaleuca function.

- (c) Each Marketing Executive agrees that any violation of this Policy 20(a) or (b) constitutes a failure of his/her responsibility to service, supervise, motivate, train and assist Marketing Executives in building their Marketing Organizations, to promote Melaleuca's products and the Melaleuca income opportunity and to consistently encourage and influence other Marketing Executives to invest their time in building their Marketing Organizations. Each Marketing Executive further agrees that such failure constitutes a material breach of the Independent Marketing Executive Agreement and immediately disqualifies the Marketing Executive from the right to receive any compensation after the date of such violation.
- (i) Violation of any provision of this Policy 20 constitutes a Marketing Executive's voluntary resignation and cancellation of his/her Independent Marketing Executive Agreement, effective as of the date of the violation, and the forfeiture by the Marketing Executive of all commissions or bonuses payable for and after the calendar month in which the violation occurred.
 - (ii) If Melaleuca pays any bonuses or commissions to the Marketing Executive after the date of the violation, all bonuses and commissions for and after the calendar month in which the violation occurred shall be deemed to be made in error, shall be recoverable damages and shall be refunded to Melaleuca.
 - (iii) Melaleuca may seek and obtain from the violating Marketing Executive both injunctive relief and damages for violations of this Policy 20. Melaleuca, may, at its option, elect to enforce this Policy by lawsuit in a court of competent jurisdiction in Idaho rather than by arbitration.
 - (iv) In addition to being entitled to a refund of bonuses and commissions and to damages as described above, in the event a person or entity violates this Policy 20, Melaleuca and any Marketing Executive that experiences an adverse financial impact as a result of such person's or entity's violation of

this Policy 20 shall be entitled to an accounting and repayment of all profits, compensation, commissions, remunerations or other benefits which the person or entity directly or indirectly receives and/or may receive as a result of, growing out of, or in connection with any violation of this Policy. Such remedy shall be in addition to and not in limitation of any damages, or injunctive relief or other rights or remedies to which Melaleuca is or may be entitled at law or in equity.

- (d) Violations of this Policy 20 are especially detrimental to the growth and success of other Marketing Executives' Independent Melaleuca Businesses and to Melaleuca's business. Consequently, Marketing Executives who have knowledge that any Marketing Executive has violated this Policy must immediately report that information to Melaleuca's Policy Administration Department. The failure of a Marketing Executive to report such information to Melaleuca will also constitute a violation of this Policy. The names of those reporting violations of this Policy 20 will be held in confidence.

21. Proprietary Information and Trade Secrets

By executing the Independent Marketing Executive Agreement, the Marketing Executive acknowledges that all information which is contained in the Marketing Executive's Monthly Business Report, including, but not limited to, names, addresses and telephone numbers of Marketing Executives and Customers, and all identifying information relating to other Marketing Executives or Customers that the Marketing Executive became aware of while conducting Melaleuca business in any way or while attending Melaleuca-related events, is Melaleuca's proprietary trade secret information. The Marketing Executive agrees to protect and not to disclose such information to any third party (except to existing or prospective Melaleuca Marketing Executives or Customers for the purpose of promoting Melaleuca products and business opportunity) or to utilize such information for the purpose of promoting any other business opportunity at any time, whether during the term of his/her association with Melaleuca or thereafter. The Marketing Executive acknowledges that such proprietary information is of such character as to render it unique and that disclosure or use thereof in violation of this provision will result in irreparable

damage to Melaleuca and to Independent Melaleuca Businesses. Melaleuca and its Marketing Executives will be entitled to injunctive relief to prevent violation of this policy. If litigation or arbitration is required to obtain injunctive relief or to recover damages, the prevailing party shall be entitled to an award of attorney's fees and expenses.

22. The Enroller and Presenter

- (a) A Marketing Executive who is the Enroller of a new Customer or Marketing Executive may not list another Marketing Executive who did not participate in the contact or the presentation as either the Enroller or Presenter of such new Customer or Marketing Executive. Regardless of where a Customer or Marketing Executive is placed in a Marketing Organization, the actual Enroller of such Customer or Marketing Executive must be listed as the Enroller on the Customer Membership Agreement.
- (b) The Enroller and any other Marketing Executives involved in the recruiting and enrollment process may use only Melaleuca's products and its Compensation Plan and their personal commitment to help the new Marketing Executive build his or her business as an inducement to enroll. Marketing Executives may not enter into special deals with an Enrollee, including, but not limited to, promises of the payment of money or roll ups.
- (c) Before being listed as the Enroller or Presenter, a Marketing Executive must have meaningful contact with the Enrollee in person, over the telephone, or via other live, face-to-face (or vocal) means of communication.

23. Supervisory and Leadership Functions

Marketing Executives' compensation is based on sales of product by Melaleuca to the End Consumer. To qualify for any compensation Marketing Executives have the ongoing responsibility to service, supervise, motivate, train and assist Marketing Executives in building their Marketing Organizations, to promote Melaleuca's products and the Melaleuca income opportunity and to consistently encourage and influence other Marketing Executives to invest their time in building their Marketing Organizations and to support Melaleuca's policies, programs and personnel. Any effort by a Marketing Executive to convince or entice any Customer or Marketing Executive to discontinue or diminish purchasing

Melaleuca products, to move from one Melaleuca Marketing Organization to another, to discontinue or diminish efforts to promote the Melaleuca business opportunity, or to promote or pursue any Competing Business Venture, or to disparage Melaleuca, or its products, marketing plan, management team or other personnel is a violation of the Marketing Executive's leadership responsibility and a violation of this policy.

24. Inventory Purchases Prohibited

Melaleuca's business model operates on the principle that 100% of sales by Melaleuca are made to End Consumers. Any device or scheme whereby a Marketing Executive directly or through a third party purchases product solely for purposes of qualifying for bonuses or commissions constitutes fraud on the part of the Marketing Executive and is a violation of this policy.

25. Display in Stores

Melaleuca is in strong support of home-based businesses and personal product presentations. To maintain a standard of fairness, Marketing Executives may not display Melaleuca products in drug stores, health food stores or grocery stores. Any display of Melaleuca products to the public must be tasteful and professional.

26. Media Inquiries

It is Melaleuca's policy to have a single spokesperson handle all inquiries from the media and all media relations. Therefore, Marketing Executives may not, for any reason, discuss their Independent Melaleuca Business with the media, nor act as spokespersons for Melaleuca, nor talk to the media regarding Melaleuca, its Compensation Plan, its products or services. It is a violation of this policy to provide any information to the media, regardless of whether the information is positive or negative, accurate or inaccurate. All inquiries from the media (whether radio, television, Internet or print) must be immediately referred to Melaleuca.

27. Checks and Monthly Business Reports

Commission and bonus checks are generally mailed or made available by Melaleuca to Marketing Executives on or about the 15th day of each month for commissions and bonuses earned during the previous month. When the 15th day of the month falls on a weekend or holiday, payment will generally be mailed or made available on the next business day. Each Marketing Executive qualifying for a commission or bonus will receive a Monthly Business Report

showing the status of each Customer and Marketing Executive in his/her Marketing Organization. The Monthly Business Report will show the calculation of the Marketing Executive's commission and bonus. Marketing Executives should use their Monthly Business Report as a tool to manage, supervise and train the members of their Marketing Organizations. The information contained in Monthly Business Reports is Melaleuca's proprietary trade secret information, and Marketing Executives are prohibited from disseminating the information contained therein. See Policy 21 for further detail regarding Marketing Executives' obligations with respect to such proprietary trade secret information. A data processing fee and postage is charged to each Marketing Executive for generating, mailing and maintaining checks and Monthly Business Reports. Commission and bonus checks which remain uncashed or unclaimed for more than 180 days will not be honored and the amount of the payment, less a processing fee of \$15US and a bank cancellation/stop payment fee of \$10US, if applicable, will be credited to the Marketing Executive's account, which credit may be used towards future purchases made by the Marketing Executive. If a Marketing Executive's account is inactive and it is necessary to notify the Marketing Executive of the credit on account, a service charge of \$10US will be deducted from the account for each notice sent.

28. Purchases for Other Persons

A Marketing Executive may not order or pay for products for Customers without such Customer's express authorization and agreement to reimburse the Marketing Executive for such product.

29. Restrictions on International Marketing (United States and Canada)

Marketing Executives enrolled in the United States and Canada are authorized to enroll Customers and Marketing Executives in the United States and Canada. In all other countries in which Melaleuca or its affiliates are authorized to conduct business Marketing Executives may only Enroll Customers and Marketing Executives pursuant to Melaleuca's International Sponsorship Program. Marketing Executives and Customers may not ship or introduce Melaleuca products across any international border for the purpose of use by another person except the U.S./Canadian border provided the products are appropriately labeled for the country of their destination. Marketing Executives and Customers may not market, give, transfer, import, export or distribute

Melaleuca products or sales aids in any country, other than the United States and Canada, nor provide products to any individual who the Marketing Executive or Customer knows or has reason to believe is exporting products to another country.

30. Trademark, Service Mark and Trade Name Restrictions

Customers and Marketing Executives may not use, reproduce or disseminate the Melaleuca trade name or logo or any Melaleuca trademark or service mark except in the use and dissemination of literature published and made available by Melaleuca and except on stationery and business cards produced and authorized by Melaleuca. This includes, but is not limited to, the formatives “Mela” and “Mel,” the term “Melaleuca,” the Leaf and Drop logo, and all marks or slogans designating products or services offered by Melaleuca.

31. Rules regarding Advertising, Internet Usage and Sale of Materials

- (a) Marketing Executives may not:
- (i) create, publish, sell, use, display or distribute any literature, audio or video recording, Internet website, telephone ad message, Internet bulletin board message, mass or bulk email message (including auto-response messages), infomercial or other print, audio, visual, electronic media or social networking sites which represents Melaleuca, its products, services, Compensation Plan or business opportunity other than as specifically permitted pursuant to this Policy, Melaleuca’s Guidelines on Internet Usage and Melaleuca’s Guidelines on Social Media, or that which is produced and provided by Melaleuca;
 - (ii) copy or reproduce any materials produced by Melaleuca except as specifically permitted pursuant to this policy;
 - (iii) use the Melaleuca name or logo or the name or logo of any of Melaleuca’s products or services in any notice, display, advertisement or promotion, including, but not limited to, newspaper, magazine, radio, television or Internet or email advertisements, or telephone, Internet or other directories (except a Marketing Executive may have a directory listing in the following format: “Melaleuca Independent Marketing

Executive-[name of Marketing Executive]”);

- (iv) display, advertise or promote Melaleuca’s products, services or business opportunity at county fairs, craft fairs, business fairs, trade shows, flea markets or any similar event, including the use of booths, without the express prior written approval of Melaleuca;
 - (v) charge for Melaleuca-related meetings performed or arranged by a Marketing Executive except to the extent necessary to cover the actual out-of-pocket expenses incurred.
- (b) Marketing Executives may use websites and email messages only in accordance with Melaleuca’s Guidelines on Internet Usage as the same are published on Melaleuca’s website, and which may be revised and modified from time to time at Melaleuca’s sole discretion. Melaleuca will take reasonable measures to publish notice of any changes to the guidelines on its website, however it is the Marketing Executives’ responsibility to review these guidelines periodically to be informed of and comply with any changes.
- (c) Marketing Executives may only use websites produced by Melaleuca’s approved website vendors.
- (d) Melaleuca will have the right, in its absolute discretion, to require that any Melaleuca-related website be taken down and that any Melaleuca-related email message be discontinued. A Marketing Executive’s failure to comply with any provision of this policy may result in forfeiture of commissions and bonuses, fines, and/or in termination of the Marketing Executive’s Independent Marketing Executive Agreement.

32. Income Claims

Marketing Executives are prohibited from making false, misleading or inaccurate claims about their or other persons’ compensation received under the Compensation Plan. If, when presenting the Melaleuca business opportunity, a Marketing Executive makes any claim regarding his/her compensation from Melaleuca, or the potential compensation payable under Melaleuca’s Compensation Plan, the Marketing Executive must also show the person(s) receiving the presentation Melaleuca’s current Marketing Executives Annual Income Statistics sheet.

33. Product Claims and Warranties

Marketing Executives may not make any product claims, weight loss or health benefit claims, or product warranties other than those published in Official Melaleuca Material. Marketing Executives shall not publish or distribute information relating to uses of Melaleuca products other than those which are set forth in Official Melaleuca Material. Marketing Executives may not utilize Official Melaleuca Material which is approved for use in one country to make product claims or promote Melaleuca products in another country.

34. Ethical Sales Practices

Marketing Executives shall:

- Conduct themselves in a professional, courteous and considerate manner;
- Represent Melaleuca products in a sincere and honest manner;
- Represent the Compensation Plan only as prescribed by Official Melaleuca Material;
- Become familiar with and utilize marketing techniques, Melaleuca’s Compensation Plan and Statement of Policies, and other materials as prescribed by Melaleuca;
- Present the Melaleuca business opportunity in a manner which is consistent with Official Melaleuca Material; and
- Provide service, supervision, motivation, training and assistance to Marketing Executives in their organization.

Marketing Executives shall not:

- Engage in any deceptive, unlawful, or unethical business or recruiting practice;
- Engage in any high pressure recruiting practices;
- Enroll minors or persons who are not capable of making an informed decision with respect to entering into a Customer Membership Agreement or Independent Marketing Executive Agreement;
- Order Melaleuca products for other Customers or Marketing Executives without the express permission of such persons;
- List a Marketing Executive as an Enroller or Presenter who did not participate in the contact or the presentation of a new Customer or Marketing Executive and who did not meaningfully contact the Enrollee in person, over the telephone, or

via other live, face-to-face (or vocal) means of communication; or

- Seek in any way to violate or circumvent Melaleuca's agreements or Statement of Policies.

35. Policy Disclosure Requirement

Prior to enrolling a prospective Marketing Executive, Marketing Executives shall provide to and review with the prospective Marketing Executive a current copy of Melaleuca's Statement of Policies.

36. Voluntary Resignation Due to Inactivity

It is the Marketing Executive's responsibility to lead his/her Marketing Organization with the proper example in production of Personal Product Points. Without this proper example and leadership, the Marketing Executive will lose his/ her right to receive commissions and bonuses from his/ her Marketing Organization. Therefore, Marketing Executives who produce less than the minimum Personal Product Points required to maintain their current Commission Rate during a month, as set forth in the Compensation Plan, will not receive the commission or bonus attributable to such status for the sales generated through their Marketing Organizations for that month. Failure to meet Personal Product Point requirements for two consecutive months constitutes the Marketing Executive's voluntary resignation. A Marketing Executive who has voluntarily resigned will lose all his/her Personal Enrollees and his/her Marketing Organization. The resignation shall become effective on the day following the last day of the second month of inactivity. It shall be every Marketing Executive's responsibility to encourage all Marketing Executives within their Marketing Organization to fulfill their Personal Production requirements.

37. Reactivation and Reenrollment Requirements

- (a) When a Marketing Executive who has been deemed to have voluntarily resigned due to two months of inactivity under Policy 36 becomes reactivated, he/she will reenter his/her previous Marketing Organization in the first available position below his/her original Marketing Executive.
- (b) Former
 - (i) Customers and Marketing Executives with the Status of Product Advocate 3 or below may reenroll as new Customers with their original Enroller and their

original Marketing Executive at any time. Customers and Marketing Executives with the status of Product Advocate III or below who have not been enrolled with Melaleuca for at least the previous six consecutive months may reenroll as new Customers and Marketing Executives with the Enroller and Marketing Executive of their choice.

- (ii) Marketing Executives with the Status of Director and above
 - (1) may reenroll as new Customers with their original Enroller and their original Marketing Executive at any time.
 - (2) must be inactive for one year before they can reenroll with an Enroller and Marketing Executive of their choice.
 - (3) may reenroll with an Enroller of his/ her choice after 6 consecutive months of inactivity if he/she has not been a Commission Rate Director or above during the 12 months prior to the first month of inactivity.
- (iii) No leadership points will be awarded for any presentation or enrollment of a reenrolled Customer who has been inactive for fewer than 3 years.
- (c) If a former Customer or Marketing Executive desires to reenroll in a new Marketing Organization in which any Marketing Executive in the new Support Team was also in his/her previous Support Team, such former Customer or Marketing Executive may reenroll no earlier than 12 months following the date that such Support Team Marketing Executive became inactive in his/her previous Marketing Organization. Any individual involved in the violation of this policy will be subject to corrective measures pursuant to Policy 42, including fines and/or cancellation of his or her Independent Marketing Executive Agreement.
- (d) Former Customers or Marketing Executives who reenroll pursuant to this Policy 37 will not be eligible to roll up pursuant to Policy 39.

38. Titles Not Forfeited

A Marketing Executive can lose his/her Commission Rate Status and therefore the right to receive corresponding commissions and bonuses if he/she no longer qualifies for the commissions or bonuses pertaining to such status.

However, as long as a Marketing Executive remains active, he/she will not forfeit the title of the highest Status he/she has achieved.

39. Roll Up Guidelines

- (a) Melaleuca considers roll ups to be an important aspect of operating a healthy Melaleuca business. However, receiving a roll up is not a right for a Marketing Executive under any circumstances. Melaleuca in its sole discretion has the right to stop a roll up or otherwise prevent any roll up from occurring. The following are guidelines only and not considered policy and shall not be binding on Melaleuca.
- (b) When a vacancy occurs in a Marketing Organization for any reason including the inactivity or termination of a Customer or Marketing Executive (a "Canceled Marketing Executive"), each Marketing Executive in the first generation below the Canceled Marketing Executive (a "First Generation Marketing Executive") may have the opportunity to qualify to roll up into the position of the Canceled Marketing Executive subject to the following conditions:
 - (i) If the Canceled Marketing Executive's Marketing Organization had fewer than 10 Active Customers in the first month of inactivity, the First Generation Marketing Executive with the highest Commission Rate in the Canceled Marketing Executive's second month of inactivity will be eligible to roll up to the position of the Canceled Marketing Executive in the month following the Canceled Marketing Executive's second month of inactivity. In the event of a tie, the following criteria will be applied, in the order listed, to the First Generation Marketing Executives involved in the tie until the tie is broken:
 - (1) who has the largest number of personally enrolled Directors;
 - (2) who has the largest number of personally enrolled Preferred Customers;
 - (3) whose Marketing Organization has the largest number of Preferred Customers;
 - (4) whose Marketing Organization has the highest average Product Point order per Customer;
 - (5) who has the highest Personal Product Points; and

- (6) who enrolled first.
- (ii) If the Canceled Marketing Executive's Marketing Organization had at least 10 but fewer than 100 Active Customers in the first month of inactivity, the First Generation Marketing Executive who first does the following will be eligible to roll up to the position of the Canceled Marketing Executive the month following their achieving these requirements, but in no event sooner than the month following the Canceled Marketing Executive's second month of inactivity:
- (1) advances to a new Status of Director 3 or greater;
 - (2) advances to a new Status which corresponds at least to the Canceled Marketing Executive's Organization Volume in the first month of inactivity; and
 - (3) grows his/her Marketing Organization by 25 Active Customers (excluding roll ups and moves) since the Canceled Marketing Executive's first month of inactivity. If two or more First Generation Marketing Executives qualify for the roll-up in the same month, the tie will be broken by application of the criteria set forth in subparagraph (i) above.
- (iii) If the Canceled Marketing Executive has 100 or more Active Customers in his/her first month of inactivity, no roll up shall occur.
- (b) The Enroller of a Canceled Marketing Executive will inherit the Canceled Marketing Executive's Personal Enrollees as follows:
- (i) For each Personal Enrollee who is a Customer (with no Marketing Organization) or who had the Commission Rate of a Product Advocate and had less than 2,500 Organization Volume in the Canceled Marketing Executive's first month of inactivity the Enroller will automatically inherit the Customer as a Personal Enrollee in the Canceled Marketing Executive's third month of inactivity.
 - (ii) For each Personal Enrollee who had the Commission Rate of a Product Advocate 2 or above and had less than 2,500 Organization Volume in the Canceled Marketing Executive's first month of inactivity, the Enroller will inherit such Personal Enrollee in the month following the month the Personal Enrollee has advanced one status above the Commission Rate the Personal Enrollee had in the Canceled Marketing Executive's first month of inactivity.
 - (iii) For each Personal Enrollee who had Organization Volume of 2,500 or more in the Canceled Marketing Executive's first month of inactivity, the Enroller will inherit such Personal Enrollee in the month following the month the Personal Enrollee has advanced one status above the Volume Status that the Personal Enrollee had in the Canceled Marketing Executive's first month of inactivity.
 - (iv) If the Personal Enrollee had Organization Volume of 50,000 or more or a Status of Executive Director or higher in the Canceled Marketing Executive's first month of inactivity, the Enroller cannot inherit such Personal Enrollee. However, in the case of termination, Marketing Executives who had Organization Volume of 50,000 or more or who had a Status of Executive Director or above at the time of their Enroller's termination may be inherited when all of the following occur:
 - a) The potential Enroller helps the potential Personal Enrollee advance to one Status above the Volume Status that the potential Personal Enrollee had in the terminated Marketing Executive's first month of inactivity; and
 - b) The potential Enroller helps another Personal Enrollee advance to Executive Director for the first time after the Canceled Marketing Executive's first month of inactivity. The advancing Personal Enrollee must be an actual Personal Enrollee of the potential Enroller, not an inherited Personal Enrollee.
 - c) All other inheritance rules apply.
 - (v) When a Marketing Executive is terminated, the Enroller of the Canceled Marketing Executive will continue to receive PEG Volume on the original Marketing Organization of the Canceled Marketing Executive.
- (vi) No Enroller can inherit a Personal Enrollee whose Status is higher than his/her own, unless neither has a Status higher than Director 2.
- (vii) When a Marketing Executive has their Independent Marketing Executive Agreement canceled or terminated by Melaleuca, or went inactive while under investigation for a policy violation, in the month that the cancellation/termination occurs, target statuses for the Personal Enrollees will be set and inheritances will occur based in accordance with all other existing policies.
- (c) If the Canceled Marketing Executive had the Commission Rate of Senior Director or above in his/her last month of activity and (i) was terminated by Melaleuca for a policy violation or (ii) voluntarily resigned or went inactive while under investigation for a policy violation, the Enroller of such Canceled Marketing Executive will continue to receive credit for having a Personal Enrollee with the same Status (Senior, Executive, National or Corporate Director) to count towards the Enroller's Status for twelve consecutive months from the month following the termination or resignation of the Canceled Marketing Executive. For each month after the initial twelve months, the Enroller of such Canceled Marketing Executive will receive credit for having a Personal Enrollee with the Status (Senior, Executive, National or Corporate Director) attributable pursuant to the Compensation Plan to the Organization Volume of the Marketing Organization of the Canceled Marketing Executive. However, such credit cannot apply at the same time with respect to two Personal Enrollees. Therefore, the credit will expire in the first month in which the Enroller of the Canceled Marketing Executive has inherited a potential Personal Enrollee who has or achieves Executive Director Status or the Status of the Canceled Marketing Executive at the time of cancellation.
- (d) To qualify for any roll up or inheritance, the Marketing Executive who will be receiving the roll up or who will be inheriting Personal Enrollees must have been

in compliance with Melaleuca's Statement of Policies for the preceding 12 months and must not have been involved in any illegal, fraudulent, deceptive or unethical conduct. Melaleuca will fully investigate the cancellation to determine, at Melaleuca's sole discretion, full compliance with Melaleuca's policies.

40. Obligations of Independent Contractors

As an independent contractor, it is a Marketing Executive's responsibility to:

- (a) Abide by any and all federal, state, provincial, county and local laws, rules and regulations applicable to operating his/her Independent Melaleuca Business;
- (b) At the Marketing Executive's own expense, make, execute or file all such reports and obtain such licenses as are required by law or public authority with respect to his/her Independent Melaleuca Business;
- (c) Be solely responsible for declaration and payment of all local, state, provincial, federal and general sales taxes and fees as may accrue because of the Marketing Executive's activities in conjunction with his/her Independent Melaleuca Business;
- (d) Supply all of his/her own equipment and tools for operating his/her business, such as telephone, transportation, professional services, office equipment, and office supplies; and
- (e) Provide his/her own place of business and determine his/her own work hours.

41. Forfeiture of Rights to Bonuses and Commissions

So long as a Marketing Executive is complying with all policies and terms of the Independent Marketing Executive Agreement, as amended from time to time, Melaleuca is obligated to pay commissions and bonuses to such Marketing Executive in accordance with the Compensation Plan. A Marketing Executive's commissions and bonuses constitute the entire consideration for all of the Marketing Executive's efforts in generating sales, and the Marketing

Executive's right to receive commissions and bonuses from Melaleuca constitutes the entire value attributable to the Marketing Executive's Marketing Organization. Following a Marketing Executive's resignation, cancellation for inactivity, or voluntary or involuntary cancellation of his/her Independent Marketing Executive Agreement, such former Marketing Executive shall have no right, title, claim or interest to the Marketing Organization. The former Marketing Executive shall have no claim for compensation for the Marketing Organization or for bonuses or commissions stemming from sales generated within or by the Marketing Organization or for Car Bonus amounts held in escrow by Melaleuca. Following voluntary or involuntary cancellation of his/her Independent Marketing Executive Agreement, the former Marketing Executive shall not hold himself/herself out as a Melaleuca Marketing Executive and shall not have the right to introduce Melaleuca products or services or the Melaleuca business opportunity.

42. Corrective Measures

All of the policies in this Statement of Policies, the provisions of the Independent Marketing Executive Agreement, the Corporate Entity Application and Agreement, the Tax Exempt Entity Application and Agreement and any other agreements entered into by and between Melaleuca and Marketing Executives are material terms to the agreement between Melaleuca and Marketing Executives. A Marketing Executive's violation of any of the terms and conditions of any of these agreements or the Statement of Policies or any illegal, fraudulent, deceptive or unethical conduct by a Marketing Executive may result, at Melaleuca's discretion, in one or more of the following corrective measures:

- (a) issuance of a written warning or admonition;
- (b) imposition of a fine, which may be imposed immediately or withheld from future commissions and/or bonuses;
- (c) reassignment of all or part of his/her Marketing Organization;
- (d) suspension of his/her Independent Marketing Executive Agreement for one or more months;

- (e) cancellation of his or her Independent Marketing Executive Agreement; or
- (f) any other measure expressly stated within any of the policies set forth in the Statement of Policies or any provision of the Independent Marketing Executive Agreement, the Corporate Entity Application and Agreement, or the Tax Exempt Entity Application and Agreement.

Melaleuca has the right to withhold from a Marketing Executive all bonuses and commissions during the period that Melaleuca is investigating the alleged violative conduct of the Marketing Executive. If a Marketing Executive's Independent Marketing Executive Agreement is canceled due to a violation preceding the investigation, the Marketing Executive will not be entitled to any commissions or bonuses withheld by Melaleuca during the investigation period.

43. Amendments to the Compensation Plan, Statement of Policies, and/or Independent Marketing Executive Agreement

Upon 30 days' notice to Marketing Executives, Melaleuca may, at its sole discretion, amend the Compensation Plan, Statement of Policies and/or the terms of the Independent Marketing Executive Agreement and any other agreements entered into by and between Melaleuca and the Marketing Executives. By signing the Independent Marketing Executive Agreement, Marketing Executives agree to abide by any such amendments. The continuation of an Independent Melaleuca Business or a Marketing Executive's acceptance of commissions and/or bonuses from Melaleuca after the 30-day notification period constitutes his/her acceptance of any such amendments. After 30 days' notice, Marketing Executives will be bound by the most current versions of the Compensation Plan, the Statement of Policies, the Independent Marketing Executive Agreement and any other agreements entered into by and between Melaleuca and the Marketing Executives. Melaleuca's interpretation of the Compensation Plan, Statement of Policies and/or the terms of the Independent Marketing Executive Agreement and any other agreements will be final and binding.

Definition of Terms

The following terms will have the meanings set forth herein when used in Melaleuca's Statement of Policies, Compensation Plan and/or Independent Marketing Executive Agreement and other official Melaleuca material. This Definition of Terms is included in and forms a part of the Statement of Policies.

Active Customer: A Customer who purchases at least 29 Product Points during the calendar month.

Active Marketing Executive: A Marketing Executive who personally produces the number of Product Points each month that are required to qualify for commissions pursuant to the Compensation Plan.

Annual Income Statistics: A summary of income statistics published by Melaleuca setting forth information regarding average, high and low income received by Marketing Executives on an annual basis.

Average Retention Index: An average of the percentages of customers remaining in an organization from the past five enrollment months.

Business Kit: The Melaleuca product and business opportunity information portfolio purchased by a new Marketing Executive pursuant to the terms of the Independent Marketing Executive Agreement which includes product and marketing information and other Official Melaleuca Material.

Commission Rate: The status at which a Marketing Executive is paid in any month because the Marketing Executive has met all the qualifications to be paid at that status.

Compensation Plan: The plan as offered and interpreted by Melaleuca that compensates Marketing Executives

for the continued building, promoting, training, motivation, servicing and development of their Independent Melaleuca Businesses.

Competing Business Venture: Any business or business opportunity involving the sale, marketing or referral of products or services through direct selling (as defined by the Direct Selling Association), network marketing or other similar business opportunity.

Corporate Entity Application and Agreement: The agreement that must be completed by corporate entities that are applying to become Marketing Executives..

Customer: A person who has an Enroller, has completed, executed and delivered to Melaleuca a Customer Membership Agreement and has paid to Melaleuca the appropriate membership fee. Customers are either Direct Customers or Preferred Customers.

Direct Customer: A Customer who is authorized to purchase products from Melaleuca at regular prices pursuant to a Customer Membership Agreement.

End Consumer: A person who purchases Melaleuca products for the purpose of consuming them rather than for resale to someone else.

Enrollee: A Customer or Marketing Executive.

Enroller: The Marketing Executive who is listed on the Customer Membership Agreement as the Enroller. The Enroller must be the person who introduced the new Customer to Melaleuca and helped him/her become a Customer or who played an active role in the presentation of Melaleuca products or business opportunity to the new Customer. Before being listed as the Enroller, a Marketing Executive must have meaningful contact with the Enrollee in person, over the telephone, or via other live, face-to-face (or vocal) means of communication.

Five-Month Retention Index: The average percentage of your Preferred Customers who are still Preferred

Customers after their fifth month of being customers. (This is a three-month average.)

Immediate Household: Married couples and persons residing in the same home, and with respect to Marketing Executives and Customers which are entities (e.g., corporations, tax exempt entities, trusts, etc.) rather than individuals, Immediate Household means the shareholders, owners, directors, officers, trustees, responsible parties, etc. of such entities and persons married to or residing in the same home with the persons who are the shareholders, owners, directors, officers, trustees, responsible parties, etc. of such entities.

Independent Melaleuca Business: The business organization consisting of a Marketing Executive and those persons and entities that purchase Melaleuca products for which the Marketing Executive is entitled to receive commissions.

Marketing Executive: A person who has completed, executed, and delivered to Melaleuca an Independent Marketing Executive Agreement; has purchased a Business Kit; has at least one Customer in his/her Marketing Organization; and has received his/her first commission check.

Marketing Organization: The Customers and Marketing Executives who comprise the group of individuals or entities from which the Marketing Executive is entitled to receive commissions based upon the collective sales volume of the group and the status of certain Marketing Executives within the group pursuant to the Compensation Plan.

Melaleuca: Melaleuca, Inc. and Melaleuca of Canada, Inc.

Monthly Business Reports: Reports produced by Melaleuca on a monthly basis and provided to Marketing Executives which contain information relating to the activity of the Marketing Executive's Marketing Organization. The Monthly Business Reports contain trade secret information that is proprietary to Melaleuca.

Official Melaleuca Material: Material in any form that is authorized, published, and disseminated by Melaleuca. This includes, but is not limited to, printed material, audio and visual materials, satellite broadcasts, fax and electronic communications and Internet communications.

Organization Volume: The total Product Points from products purchased in a Marketing Executive's Marketing Organization in a calendar month.

PEG Volume (Personal Enrollee Group Volume): The total Organization Volume of a Marketing Executive's Personal Enrollees in any given month.

Personal Director: A Personal Enrollee with the Commission Rate of Director or above.

Personal Enrollee: An Enroller's Enrollee to whom the Enroller has personally introduced Melaleuca and/or has played an active role in the presentation of Melaleuca products or business opportunity.

Personal Product Points: The total monthly Product Points personally produced by a Marketing Executive.

Personal Production: To qualify for commissions, a Marketing Executive is required to "personally produce" revenue of at least 29 Product Points per month. That simply means you must designate an account as your Personal Production Account. You can allow anyone to use this account to purchase their Melaleuca products. Many Marketing Executives use this account to purchase products for their own household. For you to qualify for commissions during any given month, the Customers using your Personal Production Account must purchase a total of at least 29 Product Points during that month. Your Personal Production Account can be a Preferred Customer, so those using this account may purchase products at Preferred Customer prices. Once a Marketing Executive advances to the Status of

Senior Director or above, the personal production requirement increases to 70 Product Points. Persons purchasing products on your Personal Production Account must be purchasing products for their own personal consumption. In other words, they cannot be purchasing product simply to help you receive a commission.

Preferred Customer: A Customer who has stipulated in the Customer Agreement that the customer is committed to purchase at least 35 Product Points per month. In addition to many other benefits, Preferred Customers receive a 30% to 50% discount on Melaleuca products.

Presenter: The Marketing Executive who is listed on the Customer Membership Agreement as the Presenter. The Presenter must be a person who played a significant role in the presentation of Melaleuca products or business opportunity to the new Customer. The presentation needs to be in person, over the telephone, or via other live, face-to-face (or vocal) means of communication.

Product Point: A value assigned to each Melaleuca product upon which commissions and bonuses are calculated.

Product Point Production: To produce Product Points, a Marketing Executive must create sales to End Consumers other than customers in the Marketing Executive's Marketing Organization. These sales must be products the consumer actually desires or needs as opposed to enticing consumers to purchase products in order for the Marketing Executive to qualify for a commission.

Quality Customer: A customer who enrolled as a Preferred Customer and ordered products (did not receive a backup order) from Melaleuca in the customer's first month of enrollment.

Quality Enroll: To enroll a Quality Customer.

Recruit: 1) To attempt to enroll, enlist, or solicit an individual or entity to join a business, program or organization; or 2) to attempt to promote, influence or encourage an individual or entity to join a business, program or organization; or 3) to present, or participate or assist in the presentation of, a business, program, organization or its products. To constitute recruiting, such efforts or attempts may be performed either directly through personal contact or indirectly through a third party.

Statement of Policies: The policies published by Melaleuca, as amended from time to time, which set forth, among other things, the requirements for operating an Independent Melaleuca Business.

Status: The highest Commission Rate a Marketing Executive has ever achieved.

Support Team: The seven Marketing Executives above an individual in a Marketing Organization who have the potential to receive commissions based upon the purchases of that Customer.

Tax Exempt Entity Application and Agreement: The addendum to the Independent Marketing Executive Agreement which must be completed by tax exempt entities that are applying to become Marketing Executives.

True PEG (Personal Enrollee Group Volume): The total Organization Volume of a Marketing Executive's Personal Enrollees in any given month. (Contrary to how PEG Volume is calculated, True PEG counts each Customer's monthly purchase volume only once, even though that Customer might be under several Personal Enrollees in the organization).

Volume Status: All advancements in status of Director II or above require a minimum Organization Volume. The status corresponding to each required volume in the Compensation Plan is the Volume Status.

Melaleuca Guidelines on Internet Usage

1. Approved Website Providers

All websites controlled solely, registered, or owned by a Marketing Executive (or by anyone acting on a Marketing Executive's behalf regarding the website) for any purpose related to the Marketing Executive's Melaleuca business must be hosted by one of Melaleuca's approved providers. For more information on approved providers, go to www.melaleuca.com, log on, and go to the Business Center section of the website. When a Marketing Executive is part of an Internet or other digital community or group for reasons outside of generating leads or training, the Marketing Executive may post contextual links or information relevant to the specific community or group as long as the posting complies with Melaleuca's policies and the community's or group's rules.

Social Media websites and accounts not hosted by Melaleuca's approved providers may be used by Marketing Executives as permitted by these guidelines. For purposes of these guidelines, Social Media is defined as any website that is not controlled solely, registered, or owned by a Marketing Executive (or by anyone acting on a Marketing Executive's behalf regarding the website), and any medium that is not a website, which facilitates online or digital communication, including, but not limited to:

- Social networking sites (LinkedIn, Facebook, Instagram);
- Microblogging Sites (Twitter, Pinterest);
- Blogs (including company and personal blogs);
- Online encyclopedias (Wikipedia); and
- Video and photo-sharing websites (YouTube, Flickr).

2. Internet and Digital Usage for Lead Generation

Marketing Executives may use Social Media accounts, web ads, and websites for the purpose of generating leads of potential customers, and may send one or more emails (or other digital communications directed to specific persons) in response to persons who request information, provided that such websites, responsive emails, and other digital communications are in compliance with Melaleuca's guidelines. Unsolicited digital communications directed to specific persons (including spam emails) are not permitted. In particular, intrusive, unsolicited communications directed to specific persons or members of a group regarding the Melaleuca income opportunity via web pages, web groups, Facebook groups, LinkedIn groups, or other Social Media sites are prohibited, except where the clear, primary purpose of the page, group, or site is to facilitate the sharing of business opportunities with others. Where the primary purpose of a page, group, or site is to facilitate the sharing of parenting ideas, safe household products, or anything else besides business opportunities—even if others sometimes use the forum for sharing business opportunities—these types of intrusive, unsolicited communications regarding the Melaleuca income opportunity are prohibited. More passive communications regarding the Melaleuca income opportunity that are not directed to specific persons or members of a group are permitted as long as they comply with Melaleuca's policies and guidelines. For example, a Marketing Executive may post communications compliant with Melaleuca's policies and guidelines on his or her own Facebook wall.

The general standard for all means of Internet and digital communication is that they should be conservative and appropriate to the promotion of quality products and a professionally operated business. To the extent any means of Internet or digital communication are used to generate leads, they should be used only as a precursor to the meaningful, in-person contact required of an Enroller prior to enrollment under Policy 22. The following provisions are designed to provide guidance and to ensure this standard is maintained.

a) All Internet and digital communications must:

- contain the Marketing Executive's first and last legal name and telephone number or email address to contact the Marketing Executive—unless this information is already reasonably available from the context for the communication. This includes all Social Media accounts.
- be professional-looking, product-oriented and use professional business language, avoiding "hype."

b) Internet and digital communications may:

- solicit the reader's interest in high-quality, safe, and effective nutritional, personal care, cosmetic, and household cleaning products from a catalog.
- solicit the reader's interest in a home-based business opportunity.
- contain a "member's login" section to access a Marketing Executive's Training and Information website/pages.
 - This link/login section MAY NOT refer to any Melaleuca term, phrase or title, and may not be called "Melaleuca Login."
 - This link may be called "Members Login," etc., and must follow all other guidelines for lead-generating Internet and digital communications.
- contain a link to the current official version of the Melaleuca Overview presentation in the format provided by one of Melaleuca's approved website providers to be used only for training purposes or for facilitating live Melaleuca Overview presentations.
 - This link must be username/password enabled.
 - This link must not refer to any Melaleuca term, phrase, or title, and may not be called "Melaleuca Overview presentation."
 - This link may be called "Presentation," "Business Presentation," etc. and must follow all other guidelines for lead-generating Internet and digital communications.
 - Melaleuca reserves the right to contact any customer or Marketing Executive at any time to confirm the meaningful contact between the Enrollee and the Enroller that is required by Policy 22.
- contain links to videos or other materials that are found on an official Melaleuca website (including any official Melaleuca blog) and that are expressly identified as approved for linking by Marketing Executives—as long as the links comply with Melaleuca's policies and guidelines.

c) Internet and digital communications may not (except to the extent expressly permitted in Guideline 2 b above):

- identify Melaleuca's income opportunity in any manner.
- contain the word "Melaleuca" or the Leaf and Drop logo.
- contain any of Melaleuca's trademarked words or phrases or product names.
- contain any of Melaleuca's copyrighted materials or summaries of Melaleuca's copyrighted materials.
- describe Melaleuca's products, services, compensation plan, or business opportunity.
- contain any statements or claims about income, or provide copies of commission checks.
- contain any statements about Melaleuca's retention or reorder rate.
- contain any statements about Melaleuca's awards, track record, management, affiliations, or history.
- contain any promises or representations about placement within a Marketing Organization, that a "down line" or organization will be built for a new Enrollee, or that this is a business in which little effort is required.
- contain any enrollment or registration forms (whether online or in printable format).
- request payment of money in any form.
- request credit card or checking account information.
- be identifiable through any search engine by using the search term or key word "melaleuca" or any derivation thereof (including "mela") or any other of Melaleuca's trademarked words or phrases or the names of any Melaleuca products or services.
- promote or offer any other company's products, services, or business opportunities.

- xv) offer for a fee any web-page-hosting services or other web-related services, Internet usage training or services, or any other training or materials of any kind.
 - xvi) contain any banners, pop-ups or links.
 - xvii) refer the reader to any prerecorded phone message, video recording, or other type of communication that contravenes any of Melaleuca's policies or guidelines. (References to recordings that comply with Melaleuca's policies and guidelines, including Guideline 5 below, are permitted.)
 - xviii) contravene any state or federal law, applicable Internet service provider rules or regulations, or any other Melaleuca policy.
- d) Every enrollment—including those involving a potential customer that is identified from a lead-generating ad, website, Social Media communication, or email—must include meaningful contact between the Enrollee and the Enroller in person, over the telephone, or via other live, face-to-face (or vocal) means of communication (as required by Policy 22).
- e) Emails and other digital communications directed to specific persons may be used to determine the quality of a lead, but such emails and communications may only be sent in response to direct requests for more information and must comply with all of the foregoing guidelines.
- f) All emails and other digital communications directed to specific persons to potential customers must comply with all state and federal law and with applicable Internet service provider rules, and email messages must contain an "opt out" button prominently displayed on the first screen page of the message.
- ix) contain statements about income that comply with Policy 32.
 - x) facilitate an invitation-only event that complies with Melaleuca's policies, as long as any password and other information necessary to participate in the event is forwarded to Melaleuca's Policy Administration Department (via e-mail to compliance@melaleuca.com) before the event.
- c) Training and information websites and Social Media sites available to private, invitation-only groups may not:
- i) be used for the purpose of soliciting new customers or Marketing Executives.
 - ii) contain any promises or representations about placement within a Marketing Organization, that a "down line" or organization will be built for a Marketing Executive, or that this is a business in which little effort is required.
 - iii) contain any enrollment or registration forms, except that the website may contain a link to Melaleuca's Customer Membership Agreement and Independent Marketing Executive Agreement forms contained on an official Melaleuca website.
 - iv) promote or offer any other company's products, services, or business opportunities.
 - v) offer any materials or services for a fee, including but not limited to any web page hosting services or other web-related services, Internet usage training or services, lead generation services, or training services or materials.
 - vi) contain any banners or pop-ups.
 - vii) offer for sale any Melaleuca logo gear; however, they may offer for sale the logo gear of a particular Marketing Organization provided it is sold at actual cost.

3. Internet and Digital Usage for Training and Information

A Marketing Executive may use a website or a private, invitation-only Social Media group (including any private, invitation-only Facebook event or blog) for the purpose of providing business-related information and training on business building activities to his/her Melaleuca Marketing Organization. The general standard for such use of websites and private, invitation-only Social Media groups is that all content should be appropriate to a professionally operated business. The following provisions are designed to provide guidance and ensure this standard is maintained.

- a) Training and information websites must be 100% password protected (meaning that no portion of the site can be accessed by any means other than a password) and available for viewing only by Melaleuca Marketing Executives and Customers.
 - i) Password protocol may be determined between Approved Provider and website owner, as to whether there is a "blanket, generic" password for all invited guests, or unique, individually managed usernames and passwords.
 - ii) If a link to the Melaleuca Overview presentation is included in the "home" page of a training and information website, the Melaleuca Overview presentation must have a separate username and password than the rest of the site. (See 2 b iv.)
- b) Training and information websites and Social Media sites available to private, invitation-only groups may:
 - i) contain Melaleuca trademarked words or phrases or product names.
 - ii) contain truthful and accurate Melaleuca product and business stories from the Marketing Executive operating the website or group and other Marketing Executives.
 - iii) provide information about Melaleuca corporate or Marketing Organization meeting dates and locations.
 - iv) contain business- and product-oriented bulletin boards, provided the content is closely monitored by the Marketing Executive operating the website or group to ensure that it complies with Melaleuca's policies.
 - v) provide information and training about business-building strategies in a manner consistent with Melaleuca's policies.
 - vi) recognize the achievements and advancements of Marketing Executives within the organization of the Marketing Executive operating the website or group.
 - vii) contain one or more links to an official Melaleuca website.
 - viii) contain a current official version of the Melaleuca Overview presentation in the format provided by one of Melaleuca's approved website providers to be used only for training purposes or for facilitating live Melaleuca Overview presentations.

4. Sale of Products, Materials, or Income Opportunity on the Internet

Marketing Executives and Customers may not offer for sale Melaleuca products, materials, or the income opportunity via the Internet (including eBay). Melaleuca shall have the right to enjoin any such offers by legal action and to recover its legal fees and costs in connection with any such legal action. Melaleuca may audit Facebook groups and other Social Media groups to ensure compliance with these policies.

5. Prerecorded Audio or Video Messages

Marketing Executives may create, publish, produce, use, and/or maintain an audio or video recording which has the purpose or effect of creating interest in, introducing, or presenting Melaleuca, its products, or its income opportunity as long as neither the trademarked name Melaleuca nor Melaleuca's trademarked product names are expressly referenced or mentioned, and as long as the recording complies with Melaleuca's policies and guidelines. An example of activity permitted under this Guideline would be a Marketing Executive taking a digital recording of the Marketing Executive's team talking about how excited they are to work with a company so committed to wellness, and then posting this video to the Marketing Executive's Facebook wall. Another example would be a Marketing Executive creating a podcast on "leadership" and putting a link to that podcast on the Internet. Prerecorded training messages that are available only to Marketing Executives are protected by pass code and comply in all respects with Melaleuca's policies and guidelines are permissible.

Any use of a prerecorded Melaleuca Overview presentation is strictly prohibited, except as expressly permitted elsewhere in these guidelines for training purposes. Any prerecorded video must incorporate training tips and commentary that prevent the video from being used for the purpose of emailing new customers.

6. Violations

A Marketing Executive's violation of Melaleuca's Guidelines on Internet and Digital Usage or Statement of Policies may result in the forfeiture of commissions and bonuses, fines, or termination of the Marketing Executive's Independent Marketing Executive Agreement.

Melaleuca Guidelines on Social Media

Social media is a wonderful way to connect with old friends and to make new friends. Social media groups and networks are created to build relationships, maintain friendships, and to enhance life experiences through forming genuine friendships. It is entirely appropriate to expand your “warm circle” by creating genuine friendships. However, it’s not appropriate to bust into the warm circle of others and start blasting out your business opportunity. Due to the fact that social media greatly impacts Melaleuca’s reputation in the marketplace, and can do both good and damage to Melaleuca’s reputation, it is of essence that we address how social media can be used effectively.

Social media has not proven to be a very successful way to enter the “cold market” by the means of direct advertising or “spamming.” Most groups do not want to be invaded by outsiders who want to sell them products or business opportunities. Rather, these groups are established to find and build new connections for new friendships and relationships. In fact, publicly blasting a “business opportunity” or a product line into “cold market” closed groups is considered disreputable by members of groups that were created for other purposes. Therefore, it is not unusual for persons who have inappropriately joined a group to “solicit” the group’s members to be verbally attacked by group members. In addition, it leaves a bad impression for the company/person that teaches others to promote in that manner. Pretending you have a sincere interest in a group and then invading that group for the sole purpose of selling products, or recruiting people to a business opportunity, can quickly damage your reputation and the reputation of the company. One can easily understand the lack of wisdom in such a technique. Companies that allow or promote that behavior soon become shunned on social media platforms. No one wants to be a part of the company that has that reputation.

The issue is that of public solicitation or “spamming.” Recruiting should be done one-on-one—not blasted from a megaphone in front of an audience.

Note: Melaleuca is a warm market company built on genuine relationships. Every new customer you enroll from your warm market has approximately 500 friends in their warm market. If we learn to expand our contacts through the warm circles of those who enroll with us, there is no need for us to try to find contacts in the cold market. Working our own warm circle and the warm circle of our friends and new customers is much more effective than trying to get someone to listen to us in the cold market. There are appropriate and effective ways to approach people we know and care about with a product line and a business model that will change their lives forever. We would be much better served to spend our time creating true friends and being a true friend than in inappropriately invading social media groups where we have not invested the time and effort to create a genuine circle of friends.

What We Encourage:

We encourage you to post a response whenever you encounter any negative posts and/or comments about Melaleuca, our people, or our products on the Internet, or anywhere on a website, blog site, or other webpages. We encourage Melaleuca Marketing Executives to quickly respond and defend the company, its reputation, and its Social Media Policy for social networking sites such as Facebook and LinkedIn, and microblogging sites such as Twitter, etc. (This amends Melaleuca’s current social media policy effective June 15, 2014.) integrity. This can be done by offsetting the negative comments with positive personal experiences regarding the products, our business model, or Melaleuca in general. In this case (and only in this case), you may mention the name of Melaleuca in your comments in response to the negative comments since it has already been mentioned on the social media platform or website. We encourage you to expand your warm market by connecting with prospective contacts through joining clubs, groups, and organizations because you are truly interested in the group and interested in expanding your friends and contacts with people who have similar interests as you, rather than for the explicit purpose of advertising your business concepts or products in the group.

We encourage you to look for opportunities to set up one-on-one communications with individuals who show interest in a particular product or mention they are looking for a financial opportunity; but make the request in private—never publicly. When an individual expresses interest, reach out with a private message to a specific individual, in a way that is not visible to members of the group as a whole.

You May:

You may proactively share your personal experiences in order to create a buzz about specific Melaleuca products with your friends and people in your “warm circle” on social media sites. This can be done by mentioning the brand name of the product—

e.g. Sustain® Sport, Access®, ProFlex20®—but do not mention the company name of Melaleuca. For a product example, if someone mentions they have a problem with dry skin/eczema or solicits information about how to solve a dry skin problem, you may comment on the post with the following: “Renew is the best product we have ever used for our children when it comes to skin issues.” (This may only be done if there is no call to action, i.e. no message to “Call me,” “Private message me,” etc.) You may then follow up the comment with a private message to further identify what skin issue they are dealing with and find out if there is any way you can help that person based on the need. For a business example: “Spent an amazing weekend at our International Convention, meeting amazing people and learning from the best in the business. Love what we do.” However, you may not include in the response: “Private message me for more information,” “Message me for more details,” etc. No “call to action” is allowed.

You may not mention the financial opportunity publicly or try to create buzz about the financial opportunity.

You may then set up one-on-one communications with individuals who show interest in or “like” a particular product or business post. Take special note: Approaches and requests for a private conversation should be made in private. Never scream the opportunity publicly. You may send a private message requesting a private conversation with a specific individual, but not with members of the group as a whole.

Personal experiences must be truthful and not embellished and should represent typical experiences with Melaleuca’s products. Personal experiences should not claim Melaleuca’s products prevent or treat medical conditions or diseases, except for those set forth in official Melaleuca material.

You May Not:

You may not invade any social media group with the intent to advertise or solicit business contacts or sales contacts.

You may not offer, or mention, a business opportunity on any social media site unless that site’s specific purpose is to promote and advertise work-from-home opportunities and other income-producing opportunities. Example: Facebook has Work-from-Home groups whose “followers” are those who are looking for a work-from-home opportunity.

You may not copy or post any copyrighted images or photos of Melaleuca’s products from Melaleuca’s webpage.

Although you may relate positive experiences about specific Melaleuca products by name, you may not use the name of Melaleuca products or services in conjunction with any public solicitation, public attempt to recruit, public invitation to a presentation, or any other public invitation to a private communication for the purpose of making an approach to enroll a customer. In other words, positive stories or comments about Melaleuca products may not have a call to action.

You may not “spam” a business opportunity or post copyrighted images on any social media site.

You may not make any statements or claims about any product or product performance beyond your own experience, except that you may share actual experiences shared by other Melaleuca Marketing Executives.

You may not include the word “Melaleuca,” use the Leaf and Drop logo, or make claims about income statements, reorder rates, or any other references to income opportunity on any social media site.

You may not make any video or create any literature about Melaleuca’s products.

You may not include or mention any “call to action” in any social media communication at any time or for any reason. An example of a “call to action” would be: “Want to make \$10,000 a month? Call me!” or “I can solve your financial problems! Want to know more?” or “Looking for a financial opportunity? Private message me!” It’s the public solicitation in front of the entire group that creates the problem.

